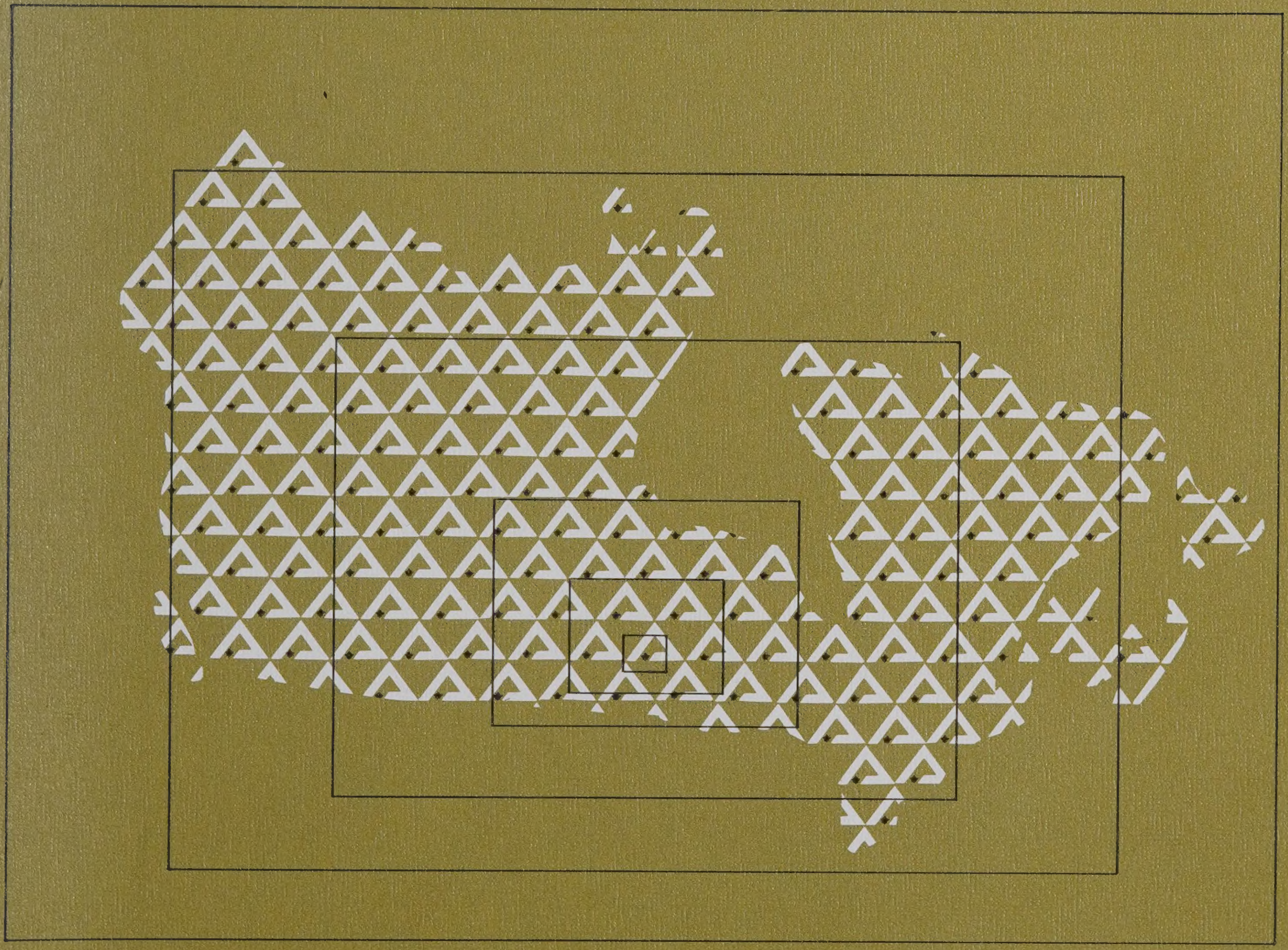
file

ACKLANDS LIMITED

ANNUAL REPORT



1971

ACKLANDS LIMITED and subsidiary companies

Highlights

	1971	1970
Sales	**$123,811,177**	$129,362,581
EARNINGS FOR THE YEAR		
Including extraordinary items	**2,013,824**	(3,310,190)
Before extraordinary items	**1,095,100**	(3,350,863)
WORKING CAPITAL	**27,284,639**	26,227,531
FIXED ASSETS, net	**13,175,725**	14,071,648
LONG-TERM DEBT	**17,194,685**	18,167,639
SHAREHOLDERS' EQUITY	**23,909,695**	22,565,827
Total Assets	**72,921,270**	76,982,258
DIVIDENDS PAID		
Preference shareholders	**53,904**	411,881
Common shareholders	**—**	381,558
EARNINGS PER SHARE (see notes)		
Including extraordinary items	**.67**	(1.51)
Before extraordinary items	**.30**	(1.53)
DIVIDENDS PAID PER COMMON SHARE	**—**	.24
Equity per share (COMBINED COMMON AND THIRD PREFERENCE SHARES)	**7.15**	6.36
NUMBER OF BRANCHES	**191**	191

Notes

1. The calculation of basic earnings per share has been made using the weighted monthly average number of common and third preference shares outstanding in each year and the net income of the company, both before and including extraordinary items, and after providing for first and second preference share dividends.

2. Fully diluted figures are not presented since contingent share issuances would not materially decrease the earnings per share in 1971 and would not increase the loss per share in 1970.

Directors and Officers

*Hyman Bessin, *President*

John J. Dawson, *Vice-President, Ontario*

*George Forzley, *Senior Vice-President and General Manager*

*Nathan Starr, C.A., *Executive Vice-President*

*Leonard Wolinsky, *Chairman of the Board*

Other Directors

*Donald E. Boxer, B.Comm., M.B.A.,
Investment Dealer, Director, Burns Bros. and Denton Limited, Toronto

Michael H. Caine,
Director, Booker McConnell Ltd., London, England

Philip Ashdown, B.A., LL.B., M.B.A.,
Barrister and Solicitor, Winnipeg, Manitoba

Henry R. B. Kirkpatrick,
Vancouver, British Columbia

Dr. Nathan Schecter, B.Sc., M.D., C.R.C.P.(C), F.A.C.P., F.I.C.A.,
Physician and Surgeon, Ottawa, Ontario

*Donald J. Wilkins,
Chairman of the Board, Fry Mills Spence Limited, Toronto

Joseph Wolinsky,
Winnipeg, Manitoba

**Members of Executive Committee*

Other Officers

Victor A. Aker,
General Manager, British Columbia

Samuel H. Blank,
Vice-President, Director of Purchasing

David M. Craig,
General Credit Manager

Donald J. Dawson,
Vice-President, Manitoba

Blake E. Forrest,
General Manager, Import Division

Arnold Glass, B.Comm., C.A.,
Secretary-Treasurer

Allan Ireland,
Assistant to the Senior Vice-President, Inventory Control

Leonard J. Kenna,
Assistant Vice-President, Ontario

Alex Kozma,
Vice-President, Saskatchewan

Donald T. Langton
General Manager, Quebec

Arnold H. Main,
Vice-President, Western Automotive Rebuilders

Norman A. Peden,
Vice-President, Alberta

Leonard G. Walker, C.A.,
Manager, Internal Audit

Transfer Agents and Registrars

First Preference Shares and Common Shares,
The Canada Trust Company, Vancouver, Winnipeg, Toronto and Montreal

Second Preference Shares Series A and 7½% Series A Debentures,
The Crown Trust Company, Vancouver, Winnipeg, Toronto and Montreal

Third Preference Shares are transferable only on the books of the company at Winnipeg.

Counsel

Sokolov & Company, *Winnipeg*

Auditors

Thorne, Gunn, Helliwell & Christenson

Fiscal Agents

Fry Mills Spence Limited, *Toronto*

Listings

Toronto, Vancouver and Winnipeg Stock Exchanges

Head Office

125 Higgins Avenue, Winnipeg, Manitoba
R3B 0B6

Executive Office

230 Lesmill Road, Don Mills, Ontario.

Report to shareholders

It gives us great pleasure to report on behalf of Acklands' board of directors that, after turning a difficult corner in 1971, your company has not only eliminated losses but has resumed its long-term upward trend in growth and profitability.

FINANCIAL

Consolidated net income for the year ended November 30, 1971, after income taxes of $213,622 and minority shareholders' interest, amounted to $2,013,824 against a net loss of $3,310,190 for the preceding year. This profit was achieved on sales of $123,811,177, compared to $129,362,581 in 1970. Taking into account the sales of 28 unprofitable branches closed during 1970 ($11.25 million), overall volume on an adjusted basis increased by $5.7 million.

Working capital at the 1971 fiscal year-end was more than $1 million higher than in 1970 and shareholders' equity increased by $1.3 million during the period, after giving effect to the purchase for cancellation of first and second preference shares for $616,852.

A tightening of internal controls and the implementation of policies aimed at higher efficiency and better return on capital have had a telling effect on your company's 1971 financial statements. Noteworthy in this respect, as compared to the previous year, are further reductions in inventories (by $1.5 million), in bank advances (by $2.6 million), in accounts receivable (by $1.4 million) and in accounts payable (by $2.3 million). As a result of these improvements, interest charges for the period under review dropped by close to $540,000 as compared to the previous year.

OPERATIONS

Although a detailed account of Acklands' operations follows this report, your directors would like to comment on the overall situation of your company and on the outlook for the current year.

After a severe setback in 1970 and the subsequent closing of many unprofitable or marginal operations, Acklands has, in 1971, made a dramatic comeback into profitability. As a consequence of drastic cost-cutting measures, your company has emerged in trimmer corporate shape and with a much stronger and sounder base for its operations.

The mainstay of Acklands' business, the automotive and industrial division, continued to make good progress in 1971.

Sales of leisure- and entertainment-oriented products also showed satisfactory increases and contributed to improved profitability, as did the steel division in Ontario.

Following a time-proven pattern of market development, your company last year opened seven new branches to serve newly developing mining, oil, gas and lumber industries in British Columbia, Alberta and Ontario.

Mercantile hardware and electronics were the main areas in which operations were substantially reduced.

DIVIDEND POLICY

Improved profitability enabled your company to declare and pay in November, 1971, first preference share dividends for the last year. Regular quarterly payments of this dividend have been resumed in the current fiscal year. It is the intention of your directors to restore the payment of dividends on other classes of shares as soon as prudence and good business practice allow.

NEW DEVELOPMENTS

Your board of directors has agreed in principle on a policy of expansion for the 1970's. Whilst continuing efforts aimed at achieving growth from within, particularly through the setting up of new automotive and industrial branches, close consideration will be given to opportunities for expansion into business areas other than those in which the company now operates.

In this connection, your management is currently studying the possible entry by Acklands into the fields of communications and manufacturing.

Your company is in a strong financial position and management is confident that it can promote Acklands' growth and diversification without dilution of shareholders' equity.

As the first step in a new program of planned expansion, Acklands has agreed with Daylin Inc., a California-based corporation listed on the New York Stock Exchange, to form a Canadian company to be known as Daylin (Canada) Limited.

Western Automotive Rebuilders' new plant in Saskatoon.

The new, jointly-financed venture in which Acklands and Daylin will each have a 50% interest will, during the current year, commence business in the field of home improvement and leisure-time products. It is intended to start with home improvement centres first in Toronto and later in other major cities in Canada.

Daylin Inc. is a diversified U.S. retail merchandising organization with current sales running at a rate in excess of $400 million.

The joint venture will be under Acklands' local administration with Daylin providing merchandising and marketing experience in the field of home improvement.

OUTLOOK

Although the feeling of uncertainty as to the short-term prospects of the Canadian economy still persists, mainly owing to unresolved monetary and trade problems with the U.S., the overall improvement in Acklands' business, which started in 1971, has continued into the current fiscal year.

Your directors are pleased to report that sales and profits for the first quarter of the current fiscal year have been very satisfactory.

Barring unexpected events in the Canadian economy, your management is confident that Acklands will continue in the current year to expand its share of the market and to further improve its earnings.

Your directors wish to express their appreciation of the continuing confidence and support of shareholders and the Canadian investment community. They also wish to acknowledge the undiminished loyalty and devotion of Acklands' employees at all levels of responsibility.

On behalf of the board,

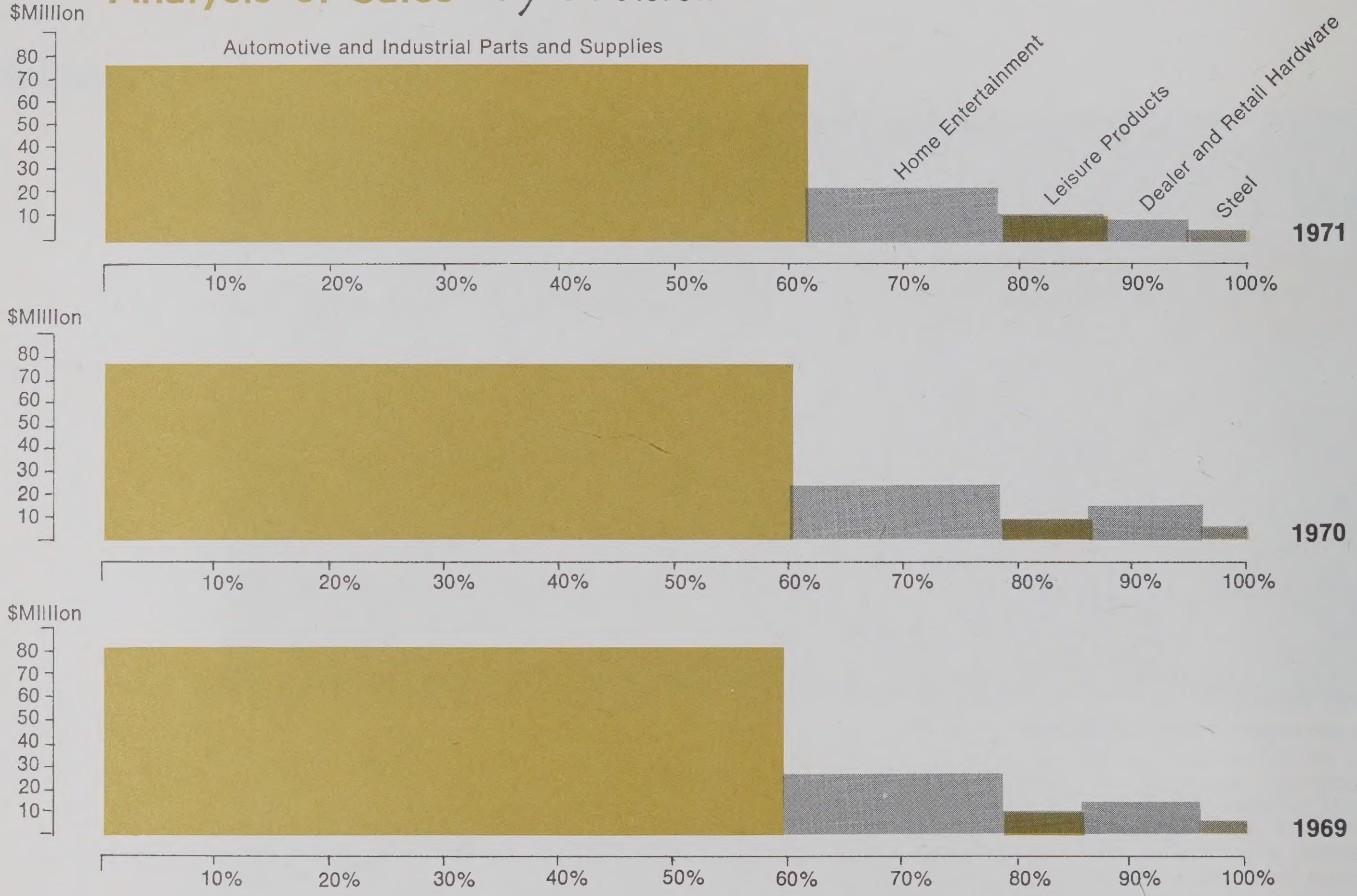
L. Wolinsky,
Chairman

Hyman Bessin

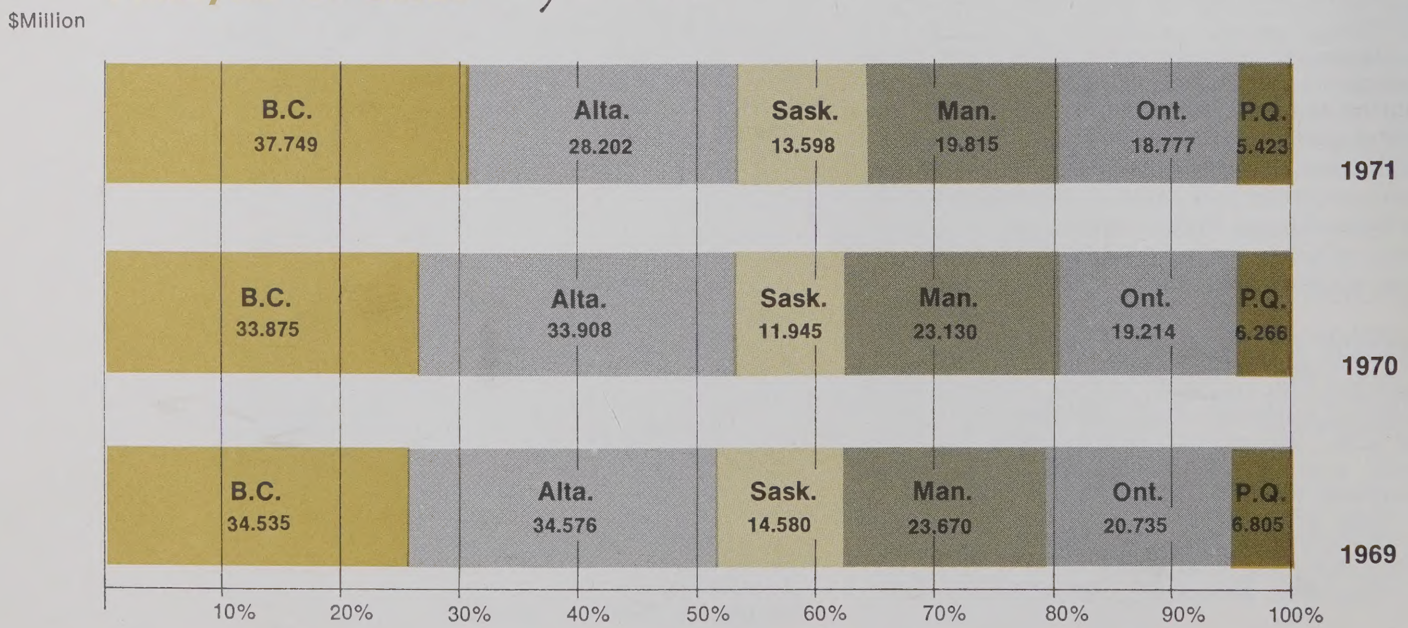
H. Bessin,
President

Winnipeg, Manitoba
March 15, 1972

Analysis of Sales —*by Division*



Analysis of Sales —*by Province*



How Acklands Operates

Acklands Limited is one of Canada's largest wholesale distribution and merchandising organizations, employing some 2,400 people. It serves Canada's major industries and government agencies as well as thousands of wholesalers and retailers across the country.

CORPORATE ORGANIZATION

Acklands operates in all provinces except the Maritimes and Newfoundland. For administrative purposes Canadian operations are divided into six provincial areas, each headed by a vice-president or general manager. Provincial managements are responsible for all operations conducted in their respective areas. Sales within each province are organized in five sales divisions based on product lines:

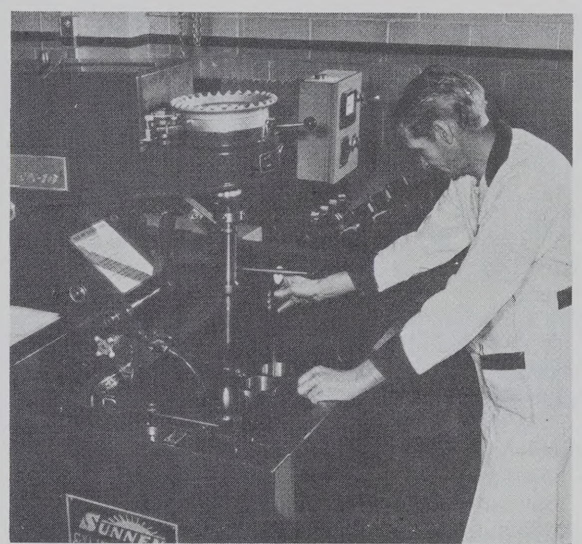
- Automotive and Industrial Parts and Supplies
- Home Entertainment and Electronics
- Leisure Products
- Steel
- Dealer and Retail Hardware

In addition, Acklands has a number of special divisions and operations including Western Automotive Rebuilders (manufacturing), Westward Distributors (imports), Mackie Data Centre (computer services), Westward Investments (financing), Acklands Leasehold Properties Limited (real estate), Peerless International Inc., a tool distributor in Atlanta, Georgia, U.S. and a 50% interest in Cashway "North" Limited, home improvement centres in Sault Ste. Marie, Sudbury and North Bay.

Sales are effected through central warehouses, wholesale branches and retail stores. Merchandising efforts within each division are co-ordinated and monitored at corporate level, enabling management to determine profitability by type of sales and by provincial operations.

Each sales outlet forms a separate profit centre to which all applicable costs are allocated. Monthly reports of operations for each centre are presented to the board of directors and to the provincial managements.

Purchasing policy directives are issued by the executive office in Toronto, but provincial executives and individual branch managers exercise a fair amount of discretion as to the choice of merchandise and supplier.



A modern cylinder grinding machine as used in many Acklands' machine shops.

AUTOMOTIVE AND INDUSTRIAL DIVISION

This is the largest and most profitable part of Acklands' operations. Through 141 branches in 106 geographical locations this division distributes a wide range of automotive and industrial parts and supplies to dealers, government agencies, institutions and end users. Individual branches carry products required to service particular industries in the different areas in which they are located.

During the 1971 fiscal year, Acklands opened new branches at Mackenzie, Richmond, Quesnel and Golden in British Columbia, Fox Creek and Grande Cache in Alberta and a second branch in Dryden, Ontario.

The company's management is looking forward to continued expansion in 1972 and subsequent years, not only through the increase in sales of the existing outlets but also through the establishment of new branches. This type of expansion will often involve the opening of small outlets in remote areas to serve newly developing industries. Such branches can be opened at short notice and, if conditions change, can be closed quickly without loss to the company.

Another marketing outlet of this division is Western Warehouse Distributors. Through this unit Acklands distributes automotive products on a warehousing basis to associated independent jobbers in selected marketing areas in western Canada. Products include a broad range of after-market replacement items (e.g. brand name spark plugs, batteries, filters). Under a franchising program de-

veloped by the company, independent jobbers are not only supplied with merchandise but also with financial and administrative assistance. The latter includes effective credit control, accounting methods, promotional ideas, inventory control and even participation in Acklands' group insurance and pension plans.

Sales of the existing W.W.D. outlets increased 16.5% over the previous year's figure.

Closely related to the automotive and industrial division is Western Automotive Rebuilders, a major manufacturing operation within the Acklands' operation.

W.A.R. is engaged in the remanufacture of automobile engines, brakes, clutches and other sub-assemblies. During 1971, W.A.R.'s operations were consolidated in a new plant in Saskatoon. This most modern installation covering an area of 42,000 sq. ft. rebuilds annually in excess of 10,000 engines for all major North American makes of cars. Some 60% of W.A.R.'s production is distributed through the automotive and industrial division of Acklands, mainly in western Canada. The remainder is sold under various private labels to major department stores and independent dealers.

Only new parts are used in the remanufacture of engine and other assemblies and WAR offers an 18-month or 18,000-mile warranty on all its products.

Sales of Western Automotive Rebuilders have increased from $1,920,000 in 1970 to $2,293,000 in 1971.

Incidentally, 41 of the company's automotive branches have machine shops providing specialized services and maintenance work.

Acklands' automotive and industrial division is well established, particularly in western Canada, and has had an unbroken history of growth and earnings. Management is confident that this trend will continue, particularly in view of the fact that the record number of automobiles produced in the 1960s are now reaching an age when they will require an increasing number of replacement parts. It is this after-market that holds the greatest potential for a continuation of prosperity for the division.

Zenith TV showroom at Acklands' Major Appliances branch in Winnipeg.

HOME ENTERTAINMENT AND ELECTRONICS

This division of Acklands distributes name brand television sets, tape recorders, radios, small appliances, TV replacement parts and industrial electronic components as well as audio-visual studio and electronic testing equipment. In British Columbia and Alberta, it also supplies top label records to rack jobbers, music stores and other retailers as well as to radio stations.

Notwithstanding a record year in sales of television sets in 1971, up 35% over the previous year, overall sales of this division decreased from $21,388,173 in 1970 to $18,-643,270 last year. This decline was due to the continued rationalization in 1971 of operations in the field of electronic parts and small appliances, in particular the closing of 13 unprofitable branches and the discontinuance of certain lines of merchandise. Inventories have been drastically reduced and all the surplus merchandise of closed-down branches has been disposed of.

At the beginning of the current fiscal year, Acklands introduced its own private label of home entertainment equipment. This new line, designed and manufactured to the company's specifications and marketed under the name of Actron, comprises a broad selection of radios, tape recorders and related stereophonic equipment.

With sales of television sets continuing on an upward trend and a new competitive line of Actron products coming on the market, the division's prospects for a profitable 1972 seem well founded.

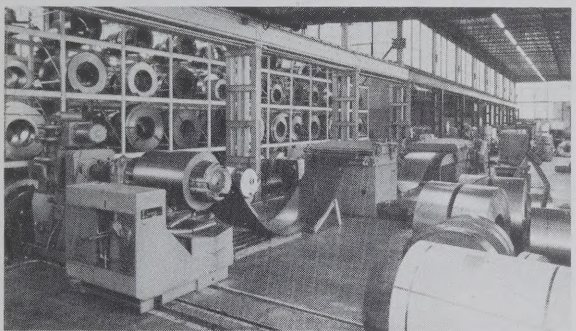
LEISURE PRODUCTS

A broad range of brand name products oriented toward outdoor and leisure activities is marketed by this division. Included here, among many other items, are outboard and inboard motors, boats, motorcycles, camping equipment, snowmobiles, lawnmowers

and power saws. The latest addition is the very popular Sekine line of Japanese bicycles of advanced design and styling.

Sales of the leisure products division in 1971 showed a 10.2% increase over the previous year's volume.

With more and more leisure time available to increasing numbers of people, a continuing growth in sales and earnings of this division can reasonably be expected.



Automatic equipment for cutting steel coil into sheets at Steel Distributors Limited, Toronto.

STEEL

With a modern plant in Toronto, this division operates in eastern Canada under the name of Steel Distributors Limited. The Toronto facility is primarily a steel service centre which processes steel by slitting, edging and cutting to length coil stock into sheets to customer's requirements.

In western Canada, this profitable division is engaged primarily in steel warehousing of bar stock and plates. As a result of severe competition and lower prices, sales in western Canada in 1971 decreased by 9.9% as compared to the previous year, while Steel Distributors in Toronto experienced a 13.6% increase in revenue for the same period.

DEALER AND RETAIL HARDWARE

In 1970, Acklands' management decided to withdraw from the unprofitable dealer and retail hardware business in the prairie provinces and northern Ontario. As a result of drastic measures that followed this decision, sales of the division in 1971 showed a drop of 33% as compared to the previous year. Investments in both current and fixed assets were substantially reduced and losses arising out of unprofitable operations were completely eliminated. This painful but necessary corporate surgery brought about a marked improvement in profitability of the remainder of this division.

MACKIE DATA CENTRE

This wholly-owned Acklands division, located in Winnipeg, is a computer service facility which offers to its clients custom data processing, systems analysis, programming counsel as well as systems packages (e.g. accounts receivable for wholesalers and retailers, community cable TV accounting).

The company's main customer is the Acklands organization itself but the centre's large capacity Burroughs 3500 computer enables Mackie to serve some 50 outside accounts. A well run, competent and competitive computer operation, Mackie Data Centre forms a valuable and profitable part of the Acklands organization.

WESTWARD DISTRIBUTORS

This is the import division of the Acklands organization through which all purchases abroad are channelled. Westward specializes primarily in the importation of hand tools, air tools and related industrial products. Bulk quantities of merchandise produced to Acklands' specification and bearing its private label, are shipped to Canada as well as to the U.S. from the Far East and Europe. Although distribution of imported merchandise is effected mainly through Acklands' own outlets, substantial sales were made in 1971 to outside wholesalers, independent jobbers and mass merchandisers. Westward is playing an increasingly important part in Acklands' business both as a supplier of competitively priced merchandise and as an idependent marketing unit selling to outside customers.

WESTWARD INVESTMENTS

This wholly-owned sales and lease finance company provides a valuable service to Acklands' customers by financing end users' purchases of major industrial, electronic, automotive and welding equipment. It also participates in franchised jobbers assistance programs, provided by the company.

ACKLANDS LEASEHOLD PROPERTIES

This division administers Acklands' real estate holdings with a market value of approximately $15 million.

Acklands occupies the majority of these properties for its own operations and the remainder is leased.

ACKLANDS LIMITED and subsidiary companies

(Incorporated under the laws of Manitoba)

Consolidated Balance Sheet

November 30, 1971

(with comparative figures at November 30, 1970)

ASSETS	1971	1970
Current assets		
Cash	**$ 3,169,676**	$ 3,465,252
Accounts receivable	**20,640,301**	22,047,482
Inventories, at the lower of cost and net realizable value	**34,518,538**	36,011,980
Prepaid expenses	**66,375**	363,333
	58,394,890	61,888,047
Other Assets		
Investment in 50% owned company (note 1)	**455,719**	323,807
Cash for first preference share purchase	**50,000**	50,000
Mortgages and lien notes receivable and other investments, at cost	**844,936**	648,756
	1,350,655	1,022,563
Fixed assets (note 2)		
Land, buildings, equipment and leasehold improvements, at cost	**24,198,441**	26,782,407
Less accumulated depreciation	**11,022,716**	12,710,759
	13,175,725	14,071,648
	$72,921,270	$76,982,258

Approved by the Board

Nathan Starr, ***Director***

George Forzley, ***Director***

LIABILITIES	1971	1970
Current Liabilities		
Bank advances (note 3)	**$11,200,000**	$13,757,961
Accounts payable and accrued liabilites	**18,474,246**	20,799,918
Income and other taxes payable	**438,052**	459,359
Principal due within one year on long-term debt	**997,953**	643,278
	31,110,251	35,660,516
Long-term debt (note 4)	**17,194,685**	18,167,639
Deferred Income Taxes (note 5)	**396,769**	270,642
Interest of minority shareholders in subsidiary companies	**309,870**	317,634
SHAREHOLDERS' EQUITY		
Capital stock (note 6)	**17,135,343**	18,066,468
Contributed surplus	**323,102**	8,029
Retained earnings	**6,451,250**	4,491,330
	23,909,695	22,565,827
	$72,921,270	$76,982,258

Contingent liabilities (note 7)
Long-term leases (note 8)

AUDITORS' REPORT

To the Shareholders of
Acklands Limited

We have examined the consolidated balance sheet of Acklands Limited and subsidiary companies as at November 30, 1971 and the consolidated statements of income, retained earnings, contributed surplus and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at November 30, 1971 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Winnipeg, Canada
February 8, 1972

Chartered Accountants

ACKLANDS LIMITED and subsidiary companies

Consolidated statement of income

Year ended November 30, 1971
(with comparative figures for 1970)

	1971	1970
Sales	**$123,811,177**	$129,362,581
Cost of sales, selling and administrative expenses before the following	**117,304,108**	127,728,813
	6,507,069	1,633,768
Deduct		
Depreciation	**1,050,969**	938,745
Interest on long-term debt	**1,395,118**	1,432,478
Other interest	**1,580,034**	2,085,979
Remuneration of directors and senior officers	**497,158**	594,820
Gain on sale of fixed assets	**(260,357)**	(206,619)
	4,262,922	4,845,403
Income (loss) before income taxes, minority interest and extraordinary item	**2,244,147**	(3,211,635)
Income taxes (note 5)	**1,132,346**	139,228
Income (loss) before minority interest and extraordinary item	**1,111,801**	(3,350,863)
Interest of minority shareholders	**16,701**	17,003
Income (loss) before extraordinary item	**1,095,100**	(3,367,866)
Extraordinary item		
Income tax reduction realized on the application of prior years' losses	**918,724**	57,676
Net income (loss) for the year	**$ 2,013,824**	$ (3,310,190)
Earnings per share (note 9)		
Income (loss) before extraordinary item	**$ .30**	($1.53)
Extraordinary item	**.37**	.02
Net income (loss) for the year	**$ .67**	($1.51)

Consolidated statement of retained earnings

Year ended November 30, 1971
(with comparative figures for 1970)

	1971	1970
Balance at beginning of year	**$ 4,491,330**	$ 8,594,959
Net income (loss) for the year	**2,013,824**	(3,310,190)
	6,505,154	5,284,769
Dividends on		
First preference shares	**53,904**	53,904
Second preference shares		357,977
Common shares		381,558
	53,904	793,439
Balance at end of year	**$ 6,451,250**	$ 4,491,330

Consolidated statement of contributed surplus

Year ended November 30, 1971
(with comparative figures for 1970)

	1971	1970
Balance at beginning of year	**$ 8,029**	$ 8,029
Discount on purchase and cancellation of first preference shares	**23,165**	
Discount on purchase and cancellation of second preference shares	**291,908**	
Balance at end of year	**$ 323,102**	$ 8,029

ACKLANDS LIMITED and subsidiary companies

Consolidated statement of source and application of funds

Year ended November 30, 1971

(with comparative figures for 1970)

	1971	1970
Source of funds		
Income before extraordinary item	$ 1,095,100	
Items not involving current funds		
Depreciation	1,050,969	
Gain on sale of fixed assets	(260,357)	
Income taxes	1,044,851	
Increase in equity in 50% owned company	(131,912)	
	2,798,651	
Sale of fixed assets	1,448,118	$ 493,223
Reduction of mortgages receivable and other investments	25,770	448,818
Special refundable tax		74,994
Other	800	61,049
	4,273,339	1,078,084
Application of funds		
Loss before extraordinary item		3,367,866
Items not involving current funds		
Depreciation		(938,745)
Gain on sale of fixed assets		206,619
Income taxes		(139,228)
Increase in equity in 50% owned company		128,500
		2,625,012
Additions to fixed assets	1,342,807	2,019,195
Reduction of long-term debt	972,954	483,139
Dividends	53,904	793,439
Purchase of minority interest in subsidiary companies	7,764	44,762
Purchase of first preference shares	104,760	
Purchase of second preference shares	512,092	
Working capital deficiency of subsidiary companies at acquisition		249,930
Increase in mortgages receivable and other assets	221,950	234,841
	3,216,231	6,450,318
Increase (decrease) in working capital	1,057,108	(5,372,234)
Working capital at beginning of year	26,227,531	31,599,765
Working capital at end of year	$27,284,639	$26,227,531

Notes to consolidated financial statements

Year ended November 30, 1971

1. Basis of consolidation

The consolidated financial statements include the accounts of all subsidiary companies, all of which are wholly-owned with the exception of minority interest in preferred shares of two subsidiaries and a small minority interest in common shares of one subsidiary.

It is the company's practice to include in income its equity in net earnings of companies 50% owned and reflecting the investment in such companies at the value of their underlying net tangible assets.

2. Fixed assets

	1971			1970
	Cost	Accumulated depreciation	Net	Net
Land	$ 2,269,176		$ 2,269,176	$ 2,444,071
Buildings	11,888,016	$ 4,265,794	7,622,222	8,155,732
Equipment	8,735,221	6,321,505	2,413,716	2,798,183
Leasehold improvements	1,306,028	435,417	870,611	673,662
	$24,198,441	$11,022,716	$13,175,725	$14,071,648

Depreciation has been recorded on a basis to amortize the cost of fixed assets over their estimated useful life and includes, in 1971, additional charges of $157,543 to reflect an adjustment of the estimated useful life of certain equipment.

The depreciation rates are substantially as follows

Buildings	2% straight-line
Equipment, other than automotive	10% straight-line
Equipment, automotive	30% diminishing balance
Leasehold improvements	Over the unexpired terms of the leases

3. Bank advances

Bank advances are secured by the assignment of accounts receivable, a first floating charge on inventories and a junior floating charge on other assets.

4. Long-term debt

	1971	1970
Acklands Limited		
7½% Unsecured Convertible Debentures Series A, maturing June 15, 1988	$ 9,900,000	$ 9,985,000
Non-interest bearing notes, payable $100,000 January 3, 1972 and 1973	200,000	300,000
7¾% First Mortgage Bonds Series A, maturing August 15, 1986, payable $200,000 February 15 and August 15, 1972 to 1986 inclusive	6,000,000	6,400,000
Acklands (Quebec) Ltd.		
7% Sinking Fund Debentures, maturing May 1, 1973 (called for redemption January 24, 1972)	197,000	247,500
6% to 10½% Mortgages and agreements, payable in monthly instalments	1,895,638	1,878,417
	18,192,638	18,810,917
Less principal included in current liabilities	997,953	643,278
	$17,194,685	$18,167,639

Principal due within each of the next five years is as follows

1972	$ 997,953
1973	1,137,194
1974	1,046,786
1975	1,037,745
1976	1,033,426

There are common share purchase warrants of Acklands (Quebec) Ltd. outstanding which entitle the holders to purchase 8,000 common shares of Acklands (Quebec) Ltd. at $10.00 per share and 10,460 common shares at $15.00 per share both until May 1, 1973.

5. Income taxes

(a) Certain companies charge earnings with income taxes currently payable and also with income taxes deferred ($126,127 in 1971 and $81,552 in 1970) by claiming capital cost allowances in excess of depreciation recorded in the accounts. The accumulated amount of their income taxes so deferred is reflected in the balance sheet as "Deferred Income Taxes".

(b) In other companies, losses for tax purposes of $4,839,585 are deductible in determining future years' income taxes payable.

These losses are as follows

Year of loss	Amount of loss	Deductible to
1967	$ 386,958	1972
1968	679,098	1973
1969	572,183	1974
1970	3,021,053	1975
1971	180,293	1976
	$4,839,585	

In addition, with respect to these latter companies, the balance of cost of depreciable fixed assets deductible in determining income taxes in future years exceed the net book value by $2,528,920.

The income tax effects of losses for tax purposes carried forward and excesses of tax deductible values over book values of fixed assets are not recognized in the accounts.

6. Capital stock

	Authorized		Issued	
Authorized and issued	Shares	Amount	Shares	Amount
6% Cumulative, non-voting first preference shares, par value $25.00 each, redeemable at $26.25 each	35,936	$ 898,400	35,936	$ 898,400
Less purchased for cancellation during the year	5,117	127,925	5,117	127,925
	30,819	770,475	30,819	770,475
Non-voting second preference shares issuable in series, par value $16.00 each	1,000,000	16,000,000		
Series A—6% cumulative, convertible and redeemable at $17 each	373,517	5,976,272	372,973	5,967,568
Add issued during the year			50	800
	373,517	5,976,272	373,023	5,968,368
Less purchased for cancellation during the year	50,250	804,000	50,250	804,000
	323,267	5,172,272	322,773	5,164,368
Third preference shares, convertible, non-participating, voting, par value $5.00 each	867,285	4,336,425	867,285	4,336,425
Common shares without par value	2,989,955		1,601,984	6,864,075
				$17,135,343

Dividends in arrears on second preference shares amount to $309,862.
Dividends on this class of shares have been paid to November 30, 1970.

Common shares reserved for issue	Expiry date	Price	Number of common shares reserved
Upon conversion of 7½% Unsecured Convertible Debentures Series A	June 14, 1978	$14.28	693,000
On exercise of share purchase warrants issued with 7¾% First Mortgage Bonds Series A	September 1, 1978	$14.29	45,000
			738,000

7. Contingent liabilities

Conditional sales agreements assigned with recourse and other guarantees total $1,364,701.

Outstanding bank letters of credit and bankers acceptances amount to $615,502.

Leases on certain properties which have been assigned to new occupants have been guaranteed.

8. Long-term leases

The companies have commitments under leases extending through 1995 which, after recoveries from sub-tenants totalling $2,412,299 call for future net rentals of approximately $2,822,191.

Net rentals for each of the next five years are as follows

1972	$298,964
1973	249,836
1974	173,367
1975	120,776
1976	124,770

9. Earnings per share

The calculation of basic earnings per share has been made using the weighted monthly average number of common and third preference shares outstanding in each year and the net income of the company, both before and including extraordinary items, and after first and second preference share dividends.

Fully diluted figures are not presented since contingent share issuances would not materially decrease the earnings per share in 1971 and would not increase the loss per share in 1970.

10. Re-classification of comparative figures

The 1970 comparative figures have been re-classified to conform with the financial statement presentation adopted for 1971.

10 Year Summary

	1971	1970
SALES	$123,811,177	$129,362,581
DEPRECIATION	1,050,969	938,745
INTEREST ON LONG-TERM DEBT	1,395,118	1,432,478
EARNINGS FOR THE YEAR		
Including extraordinary items	2,013,824	(3,310,190)
Before extraordinary items	1,095,100	(3,350,863)
DIVIDENDS PAID		
Preference Shareholders	53,904	411,881
Common Shareholders	—	381,558
WORKING CAPITAL	27,284,639	26,227,531
FIXED ASSETS, net	13,175,725	14,071,648
LONG-TERM DEBT	17,194,685	18,167,639
SHAREHOLDERS' EQUITY	23,909,695	22,565,827
TOTAL ASSETS	72,921,270	76,982,258
EARNINGS PER SHARE (see notes)		
Including extraordinary items		
Basic	.67	(1.51)
Fully diluted		
Before extraordinary items		
Basic	.30	(1.53)
Fully diluted		
DIVIDENDS PAID PER COMMON SHARE	—	.24
EQUITY PER SHARE (Combined Common and Third Preference Shares)	7.15	6.36
NUMBER OF BRANCHES	*191	179

*As of March 31, 1972

Notes

1. The calculation of basic earnings per share has been made using the weighted monthly average number of common and third preference shares outstanding in each year and the net income of the company, both before and including extraordinary items, and after first and second preference share dividends.

2. In calculating fully diluted earnings per share the weighted monthly average number of common and third preference shares outstanding in each year has been calculated assuming
   (a) full conversion of the convertible debentures and second preference shares on the dates of issue, and
   (b) the exercising of the outstanding common share purchase warrants on the dates of issue.

Net income used in this calculation, both before and including extraordinary items, reflects a reduction in interest costs, imputed earnings on exercise of the common share purchase warrants, and the related effect on income taxes resulting from the above assumptions.

Where fully diluted earnings per share figures are not presented, it is because contingent share issuances did not have any adverse effect on earnings per share.

3. The decrease from 1966 was caused by the creation of 1,857,240 convertible third preference shares in 1967.

1969	1968	1967	1966	1965	1964	1963	1962
$134,900,759	$116,705,941	$ 84,834,234	$ 19,838,899	$ 16,899,600	$ 12,578,025	$ 12,272,781	$ 11,526,144
812,471	768,405	686,758	222,874	129,921	85,530	64,677	47,306
1,533,010	1,019,184	538,647	153,906	128,663	109,718	104,783	80,658
3,158,436	3,262,772	1,950,388	451,955	286,243	183,235	169,466	105,670
1,479,556	1,401,314	660,388	451,955	286,243	183,235	169,466	105,670
411,214	202,110	59,082	59,731	60,000	60,000	60,000	38,800
356,615	170,354	83,197	58,018	45,848	45,848	40,230	40,230
31,599,765	29,838,796	13,515,399	3,521,439	3,319,127	2,864,230	2,421,916	2,938,422
13,118,526	13,544,421	10,157,540	2,741,504	2,770,064	1,913,436	1,784,826	1,251,377
18,650,778	19,291,258	8,430,044	2,431,154	2,644,004	1,565,192	1,408,798	1,506,740
26,666,576	23,959,400	15,790,186	4,055,455	3,628,889	3,448,494	3,121,107	3,035,871
87,867,565	79,223,651	55,653,611	12,232,692	11,062,262	8,693,763	8,394,397	7,527,987
1.11	1.25	.85	.81	.49	.27	.27	.18
.97	1.14	.82	.67	.39	.27	.27	.18
.43	.47	.26 (note 3)	.81	.49	.27	.27	.18
		.25	.67	.39	.27	.27	.18
.24	.16	.16	.12	.10	.10	.10	.10
8.02	6.96	6.22	6.34	5.73	5.34	5.27	5.06
211	204	150	36	33	30	27	22

ACKLANDS LIMITED and subsidiary companies

(Locations and Branch Managers)

British Columbia

Accurate Pre-Hung Door

Vancouver — L. Nygren

Acklands Contract & Builders Hardware

Vancouver — N. Chilton

Acklands Limited

- Campbell River — N. T. Bjarnason
- Chilliwack — J. Milino
- Cranbrook — A. Gordon
- Dawson Creek — L. Stefanyk
- Fort St. John — L. E. Foster
- Golden — J. Stewart
- Kamloops — L. J. Fitchett
- MacKenzie — Dick Campbell
- Nanaimo — D. R. Brown
- Nelson — J. L. Miller
- New Westminster — A. E. Stenning
- Penticton — L. M. Hole
- Port Alberni — T. J. Aker
- Prince George — V. Russman
- Prince Rupert — A. Majore
- Quesnel — Dave Gibson
- Revelstoke — C. J. O'Connell
- Richmond — C. L. Brown
- Sparwood — K. David
- Terrace — G. Veysey
- Trail — R. J. Hackenschmidt

Vancouver
- 1100 Venables Street — M. N. Clark
- 8865 Osler Street — C. A. Mayes
- 55 East Cordova Street — D. S. Sinclair
- 344 West 7 Avenue — G. F. Thomas
- 110 West 4 Avenue — K. R. Turner
- 1380 Pemberton Avenue — R. J. Kelly

- Victoria — D. Annear
- Williams Lake — D. A. Cameron

Canadian Electronics

- Chilliwack — J. Milino
- Kamloops — K. Blampied
- Nanaimo — D. R. Brown
- New Westminster — Wm. Wispinski
- Penticton — J. D. Strobl
- Prince George — J. Douglas

Vancouver
- 1016 Richards Street — T. Pashak
- Refrigeration Division — A. S. Reynolds

Victoria — D. E. Clark

Johnson Appliances

Vancouver — P. J. Van Kleek

Major Appliances

Vancouver — J. K. Bannister

Mercury Marine

Vancouver — J. L. Harvey

Taylor Pearson & Carson

Vancouver
- Marine & Turf Division — R. J. Crowe
- Record Division — R. B. Ayres

Thrifty Valu Hardware

Vancouver — E. H. Kaiser

Tru-Bilt Industries

Vancouver — N. Homes

Western Warehouse Distributors

Vancouver — M. N. Clark

Westward Distributors

Vancouver — N. F. J. Callaway

Alberta

Acklands Limited

Calgary
- 4124 - 9 St. S.E. — A. Strachan
- 2918 - 11 St. S.E. — J. Williams

Camrose — B. Risdale

Edmonton
- 9515 - 63 Avenue — M. T. Anker
- Rental Division: 9515 - 63 Avenue — C. Knull
- 10309 - 107 Street — D. Cumming
- 14540 - 115 Avenue — E. Watson
- 7331 - 104 Street — A. Locken
- 12255 Fort Road — W. McArthur

- Edson — T. A. Salchenberger
- Fox Creek — K. Bliss
- Grande Cache — B. Delisle
- Grande Prairie — B. Jones
- Hinton — Gordon Ireland
- Lacombe — Hans Spelt
- Lethbridge — Arnold Dixon
- Lloydminster — W. Campbell
- Peace River — Douglas Alm
- Red Deer — A. L. Stambaugh
- Rocky Mountain House — R. Twa
- Stettler — J. R. Snyder
- Whitecourt — M. Clarke

Canadian Electronics

Calgary — W. D. Gordon

Edmonton
- 10819 - 107 Ave. — M. J. Poissant
- 44 Airport Road — M. J. Poissant

- Lethbridge — G. R. Gorzitza
- Lloydminster — R. Gardiyash
- Red Deer — D. Crawford

Major Appliances

Edmonton — R. G. Busch

Mc & Mc Trading Company

Edmonton — Ken Matheson

Taylor Pearson & Carson

Calgary
- 4340 Manhattan Rd. S.E. .... J. E. Dryden
- Machine Shop .... W. Dulmadge
- 516 - 16 Ave. N.W. .... T. Heath
- 2330 Crowchild Trail .... B. Clark
- Record Division, 4340 - 4 St. .... G. Chow

Edmonton
- 11905 - 111 Ave. .... K. J. Kiraly
- 11809 - 55 St. .... W. E. Saunders
- 16720 - 111 Ave. .... R. Partington
- 7003 - 104 Street .... G. B. Talbot
- Machine Shop, 11015 - 120 St. .... R. D. Penman

- Grande Prairie .... J. C. Henderson
- Medicine Hat .... F. J. Reynolds
- Red Deer .... W. Read
- St. Paul .... N. A. Hancock
- Westlock .... L. J. Birnie

Western Warehouse Distributors

- Calgary .... J. E. Dryden
- Edmonton .... K. J. Kiraly

Westward Power Equipment

- Edmonton .... E. H. Martin

Saskatchewan

Acklands Limited

- Assiniboia .... G. Colenutt
- Canora .... E. Blahut
- Esterhazy .... M. Geiger
- Estevan .... P. Pfeifer
- Humboldt .... H. Zirk
- Kindersley .... D. Sparrow
- Lanigan .... N. Boulin
- Meadow Lake .... A. Doidge
- Melfort .... K. Plasko
- Moose Jaw .... M. Blanch
- Moosomin .... G. Ewen
- Nipawin .... G. Sheridan
- North Battleford .... B. Healy
- Outlook .... L. Strouts
- Prince Albert .... R. Wood

Regina
- 611 Dewdney Ave. .... J. Brill
- 1101 Scarth St. .... J. Davison
- Body Shop .... N. Bobowski

- Rosetown .... D. Bateman

Saskatoon
- 102 Ave. D. North .... G. Kemp
- 1002 Ewant Ave. .... M. West
- 1402 Quebec Avenue .... L. Utigard
- Refrigeration Division .... B. Chernoff

- Swift Current .... G. Hebert
- Tisdale .... J. Duerr
- Unity .... L. Spence
- Weyburn .... B. Freistadt
- Yorkton .... R. Baker

Ashdown's

- Moose Jaw .... L. Temple
- Swift Current .... W. R. Elmhurst

Western Automotive Rebuilders

- Saskatoon .... A. H. Main

Western Warehouse Distributors

- Regina .... J. Davidson
- Saskatoon .... L. Utigard

Manitoba

Acklands Limited

- Brandon .... O. Reiffenstein
- Dauphin .... Bill Smigelski
- Flin Flon .... Vern James
- Lynn Lake .... Sheldon Leblanc
- Neepawa .... N. Hasiuk
- Selkirk .... Roland Dupasquier
- The Pas .... R. Quaal
- Thompson .... B. Woods
- Transcona .... D. Rondeau

Winnipeg
- 125 Higgins Ave. .... Roy James
- 745 Bradford St. .... Aime Le Bleu
- Body Shop Supply .... Robert Cote

Canadian Electronics

- Brandon .... P. Antonation
- Winnipeg .... E. Tackaberry

Gillis & Warren

- Dauphin .... N. Prokopchuk
- Fort Garry .... W. Freres
- Portage la Prairie .... J. Gorchynski
- St. Boniface .... G. Rajotte
- Swan River .... G. Finnie

Winnipeg
- 1340 Sargent Ave. .... K. Clark
- Machine Shop .... J. Ginther
- 1126 Main Street .... Sid Lewis
- 2577 Portage Avenue .... Grant Shaw

H. C. Paul

- Winnipeg .... H. C. Paul

Major Appliances

- Winnipeg .... Chas. Smith

Mc & Mc Metals

- Winnipeg .... Paul Worster

Powertown

- Lynn Lake .... G. Davey
- Winnipeg .... H. Ferbers

Western Warehouse Distributors

- Winnipeg .... D. Mitchell

ACKLANDS LIMITED and subsidiary companies

Ontario

Acklands Limited

Brantford .... H. Sanderson
Electronics, Don Mills .... K. Moore

Dryden
King & Earl .... G. Kirkham
119 Colonization Ave. .... V. Skillen

Fort Frances .... J. Cooper
Hamilton .... G. Ash
Kenora .... M. Bateman
Kirkland Lake .... G. Ryan
London .... T. Matheson
New Liskeard .... E. Lacy
Sault Ste. Marie .... L. Hannah
St. Catharines .... J. Price
Sudbury .... J. Samson

Thunder Bay
831 May St. North .... S. Lawrence
Machine Shop .... W. Graham

Timmins .... L. Luxmore
Toronto .... W. C. Philpott

Gillis & Warren

Thunder Bay .... A. Hope

Marshall-Ecclestone

Timmins .... E. Kent

Mines Assay Supplies

Kirkland Lake .... G. Ryan

Steel Distributors

Toronto .... F. Downey

Tradeway

Rexdale .... B. Roper

Westward Distributors

Rexdale .... C. Code

Quebec

Acklands Limited

Amos .... G. Belhumeur
La Sarre .... F. Cossette
La Tuque .... R. Vincent
Lorrainville .... F. Ferron

Montreal
2430 Laurentian Blvd. .... R. Quinton
4635 Viterbe St. .... A. Lafond
7506 Viau .... D. T. Langton

Rouyn .... G. Baribeau
Shawinigan .... M. Gelinas
Trois Rivieres .... J. Chamberlain

Val D'Or
400 Centrale .... H. Fortin
1336 Harricana Ave. .... K. Burke

Western Warehouse Distributors

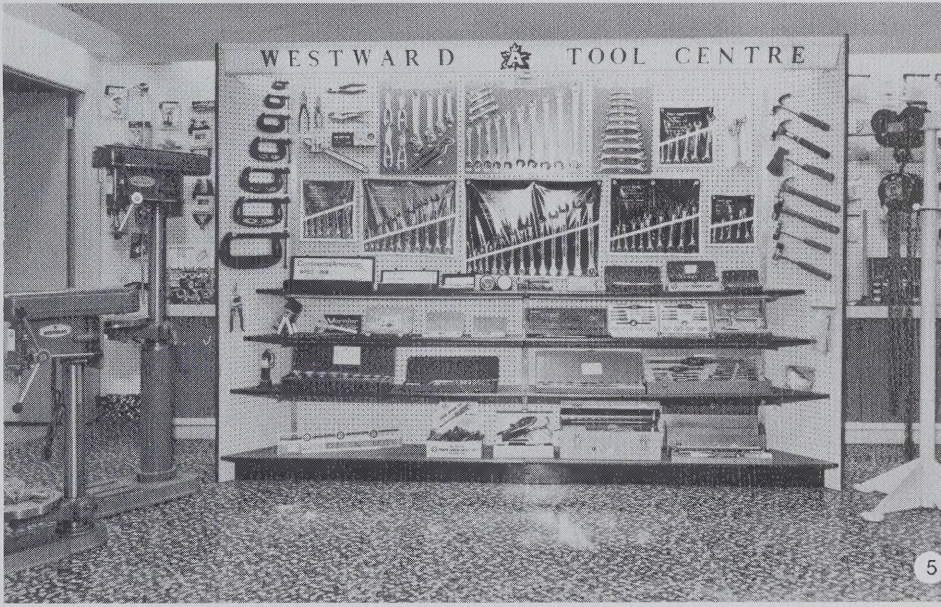
Montreal .... G. Dumoulin

United States

Peerless International Incorporated

Atlanta, Georgia .... R. W. Wickersham

Section of Western Automotive Rebuilders plant in Saskatoon showing part of assembly line and equipment.



1. *The 1972 Mercury 650 three-cylinder, 65 h.p. outboard motor, one of the leisure products distributed by Acklands.*

2. *Burroughs 3500 computer system at Mackie Data Centre, Winnipeg.*

3. *An Actron AM/FM Multiplex system designed and manufactured for Acklands.*

4. *Acklands' automotive branch, Edmonton.*

5. *A typical display of imported tools as seen in many Acklands' branches.*

ACKLANDS LIMITED
125 Higgins Avenue, Winnipeg, Manitoba, R3B 0B6

Consolidated Statement of Source and Application of Funds

Six months ended May 31, 1971
(with adjusted comparative figures for 1970)

	1971	1970
Sources of Funds		
Income (Loss)	$ 171,156	$ (1,283,781)
Items not involving current funds		
Depreciation	425,547	502,935
Gain on sale of fixed assets	(137,381)	(49,886)
Increase in equity 50% owned company	(30,970)	(51,581)
	$ 428,352	$ (882,313)
Sale of fixed assets	963,321	120,870
Reduction of mortgages receivable and other investments	26,452	179,643
Proceeds of long term debt	225,000	—
Other	—	—
	$ 1,643,125	$ (581,800)
Application of Funds		
Additions to fixed assets	$ 687,380	$ 574,722
Reduction of long term debt	473,526	354,583
Dividends	—	395,283
Purchase of second preference shares for cancellation	114,082	—
Other	38,318	49,480
	$ 1,313,306	$ 1,374,068
Increase (decrease) in working capital	$ 329,819	$ (1,955,868)
Working capital at beginning of year	26,227,531	31,599,765
Working capital at end of period	$26,557,350	$29,643,897

ACKLANDS LIMITED

Head Office: 125 Higgins Avenue, Winnipeg, Manitoba

ACKLANDS LIMITED

Interim Financial Report

for the six months ended May 31, 1971

To the Shareholders:

The directors of Acklands Limited take pleasure in reporting your company's unaudited financial results for the six months ended May 31, 1971.

Sales were $55,569,530 compared to $62,468,048 for the same period in 1970. The lower volume is to a great extent attributable to the closing down of a substantial number of branches. Sales of these unprofitable operations accounted for $6,550,000 of the amount reported for the first six months last year.

Net profit was $171,156 of which $137,381 was derived predominantly from the sale of redundant Ashdown real estate. These earnings compare with a restated net loss of $1,283,781 for the corresponding six months last year. Owing to the carry-forward of the 1970 loss, no provision for income taxes has been made in the 1971 figures.

The last three months of the reported period have shown an improvement in earnings with operating profit up to $94,110 compared to a loss of $749,647 for the same quarter in 1970.

New control procedures introduced earlier this year, have been maintained and expanded. Actual stock-taking and gross profit margins checks were carried out in a substantial number of branches.

The rapid improvement in overall economic conditions predicted for the early part of this year did not materialize. The recovery of business was slower than expected and it was not until well into the second quarter that government measures aimed at stimulating the economy showed any significant results.

Responding to this improvement, Acklands' sales since early May have shown a healthy uptrend and your directors expect that this trend will continue right into the last and traditionally most profitable quarter of your company's fiscal year.

On behalf of the board,

Hyman Bessin

Winnipeg, Manitoba
July 15, 1971

HYMAN BESSIN
President

ACKLANDS LIMITED
and Subsidiary Companies

Consolidated Financial Data*

For the six months ended May 31, 1971
(with comparative figures for 1970)

	Six months to May 31	
	1971	1970
Sales	$55,569,530	$62,468,048
Operating profit or (loss)	42,220	(1,324,259)
Deduct: Minority interest (dividends paid on preferred shares of subsidiary companies)	8,445	9,408
Net operating profit or (loss)	$ 33,775	$ (1,333,667)
Gain on sale of fixed assets	137,381	49,886
Net profit or (loss)	$ 171,156	$ (1,283,781)

*Unaudited—The 1970 figures have been restated to reflect the actual gross profit percentages achieved in that year.

For 1971 gross profit percentages have been calculated based on 1970 percentages achieved.